

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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December 31, 2002

Ms. Sherry Finlayson, Director
Financial Analysis/Reimbursement
Conway Hospital
Post Office Box 829
Conway, South Carolina 29528-0829

Re: AC# 3-KNC-J7 – Kingston Nursing Center

Dear Ms. Finlayson:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "James McDaniel Jr", written over the typed name of Thomas L. Wagner, Jr.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

KINGSTON NURSING CENTER

CONWAY, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-KNC-J7**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1998	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1998 THROUGH NOVEMBER 30, 1998	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD DECEMBER 1, 1998 THROUGH SEPTEMBER 30, 1999	B-2	5
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1997	C	6
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	8

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 12, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Kingston Nursing Center, for the contract periods beginning October 1, 1998 and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. The management of Kingston Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

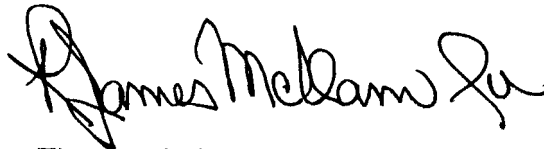
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Kingston Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Kingston Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 12, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "James McLam Jr", is written over the printed name of Thomas L. Wagner, Jr.

Thomas L. Wagner, Jr., CPA
State Auditor

KINGSTON NURSING CENTER
Computation of Rate Change
For the Contract Periods Beginning October 1, 1998
AC# 3-KNC-J7

	<u>10/01/98-</u> <u>11/30/98</u>	<u>12/01/98-</u> <u>03/31/99</u>
Interim Reimbursement Rate (1)	\$102.21	\$102.96
Adjusted Reimbursement Rate	<u>100.75</u>	<u>101.50</u>
Decrease in Reimbursement Rate	\$ <u><u>1.46</u></u>	\$ <u><u>1.46</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

KINGSTON NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-KNC-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 56.24	\$46.64	
Dietary		17.89	9.93	
Laundry/Housekeeping/Maintenance		<u>14.91</u>	<u>8.11</u>	
Subtotal	\$ <u>-</u>	89.04	64.68	\$ 64.68
Administration & Medical Records	\$ <u>-</u>	<u>24.83</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		113.87	<u>\$75.58</u>	75.58
<u>Costs Not Subject to Standards:</u>				
Utilities		4.20		4.20
Special Services		1.63		1.63
Medical Supplies & Oxygen		5.93		5.93
Taxes and Insurance		.87		.87
Legal Fees		<u>.18</u>		<u>.18</u>
TOTAL		<u>\$126.68</u>		88.39
Inflation Factor (3.60%)				3.18
Cost of Capital				8.93
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$100.75</u>

KINGSTON NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period December 1, 1998 Through September 30, 1999
AC# 3-KNC-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 56.24	\$46.64	
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TOTAL		<u>\$126.68</u>		88.39
Inflation Factor (3.60%)				3.18
Cost of Capital				8.93
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$101.50</u>

KINGSTON NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-KNC-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,893,781	\$ -	\$ 141,556 (1)	\$1,752,225
Dietary	574,013	-	16,614 (1)	557,399
Laundry	677,848	-	581,527 (1)	96,321
Housekeeping	196,168	-	48,358 (1)	147,810
Maintenance	57,763	162,544 (1)	-	220,307
Administration & Medical Records	373,200	400,528 (1)	-	773,728
Utilities	66,210	64,490 (1)	-	130,700
Special Services	212,142	-	161,203 (1)	50,939
Medical Supplies & Oxygen	166,348	18,514 (1)	-	184,862
Taxes and Insurance	22,563	4,432 (1)	-	26,995
Legal Fees	-	5,733 (1)	-	5,733
Cost of Capital	<u>252,987</u>	<u>119,950</u> (2)	<u>94,863</u> (1)	<u>278,074</u>
Subtotal	4,493,023	776,191	1,044,121	4,225,093
Ancillary	245,593	-	245,593 (1)	-
Non-Allowable	789,103	-	560,889 (1)	108,264
	<u> </u>	<u> </u>	<u>119,950</u> (2)	<u> </u>
Total Operating Expenses	<u>\$5,527,719</u>	<u>\$776,191</u>	<u>\$1,970,553</u>	<u>\$4,333,357</u>
Total Patient Days	<u>31,156</u>	<u>-</u>	<u>-</u>	<u>31,156</u>

KINGSTON NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-KNC-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Maintenance	\$ 162,544	
	Administration and Medical Records	400,528	
	Utilities	64,490	
	Taxes and Insurance	4,432	
	Legal	5,733	
	Other Equity	1,194,362	
	Medical Supplies	18,514	
	General Services		\$ 141,556
	Dietary		16,614
	Laundry		581,527
	Housekeeping		48,358
	Special Services		161,203
	Cost of Capital		94,863
	Ancillary		245,593
	Nonallowable		560,889
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300 State Plan, Attachment 4.19D		
2	Cost of Capital	119,950	
	Nonallowable		119,950
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>1,970,553</u>	\$ <u>1,970,553</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

KINGSTON NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-KNC-J7

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,499,036	1,499,036	
Improvements Since 1981	189,084	86,444	
Accumulated Depreciation at 9/30/97	<u>(819,001)</u>	<u>(353,987)</u>	
Deemed Depreciated Value	869,119	1,231,493	
Market Rate of Return	<u>.067</u>	<u>.067</u>	
Total Annual Return	58,231	82,510	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	58,231	82,510	
Depreciation Expense	147,359	79,354	
Amortization Expense	8,780	-	
Capital Related Income Offsets	(98,160)	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	116,210	161,864	\$278,074
Total Patient Days (Minimum 97% Occupancy)	<u>15,578</u>	<u>15,578</u>	<u>31,156</u>
Cost of Capital Per Diem	\$ <u>7.46</u>	\$ <u>10.39</u>	\$ <u>8.93</u>

KINGSTON NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-KNC-J7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>11.78</u>	\$ <u>10.39</u>
Reimbursable Cost of Capital Per Diem		\$8.93
Cost of Capital Per Diem		<u>8.93</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

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